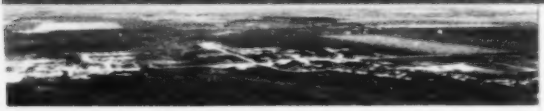
LOCAL GOVERNMENT SERVICES DIVISION



Municipal Services Branch

VILLAGE OF BURDETT
DISSOLUTION STUDY
SEPTEMBER 2002

Alberta
MUNICIPAL AFFAIRS

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What is dissolution?

When a village is dissolved it loses its status as an independent incorporated municipality and becomes a part of the surrounding rural municipality. If the Village of Burdett dissolved, it would receive municipal services from the council and administration of the County of Forty Mile No. 8.

Why consider dissolution?

Burdett's council is concerned about the future of the village. Over the years, the federal and provincial governments have transferred more responsibilities to municipal governments, but have not provided additional revenues. At the same time, Burdett's tax base has decreased.

Under Alberta's Municipal Government Act, the Minister must complete a dissolution study when requested by a council. On May 8, 2001, council requested a study.

This study is being carried out by Alberta Municipal Affairs with participation from the village and county councils, both administrations, and staff. The study examines the services currently provided by the village and the county, and indicates changes that could be expected if Burdett were to dissolve and become part of the county.

What is the situation in Burdett?

Although Burdett is able to provide municipal services to its residents, council believes that the time is appropriate to examine the option of dissolution. Council is concerned with governance and municipal finance, as well as the challenges that the village expects to face in the future.

Governance:

The village is governed by a three-member elected council. Burdett's staff consists of an administrator and a public works foreman, which provides Burdett with a limited level of municipal services, that is typical for a village of its size.

Finance:

Equalized assessment is generally a good indicator of a municipality's ability to generate revenues through taxation. Burdett's equalized assessment is slightly lower than the average for small villages in Alberta. Burdett's 2001 assessment base was $22,100 per capita, compared to the provincial median of $23,500 per capita for villages of a similar size.

Other financial indicators raise some concerns. Provincial legislation limits the amount of debt that a municipality can carry. In 1999, Burdett received a Ministerial exemption to exceed its debt limit in order to borrow sufficient funds to complete the water system upgrading. At the end of 2001, Burdett's debt had been reduced to 92 percent of the maximum allowed by legislation. The village's future ability to operate without taking additional debt is an issue, because Burdett does not have a large amount of money set aside in reserves to help finance future projects. If further debt is incurred to finance projects in Burdett, Burdett's residents would be responsible to repay that debt regardless of whether or not the village dissolves. In contrast, the county has a greater ability to manage debt as an option for financing of future projects.

Burdett's 2002 tax rate for municipal purposes is 23.4954 mills. The County of Forty Mile's 2002 municipal tax rate is 9.0469 mills. However, if Burdett dissolved, residents would also be charged an additional tax levy of about 2 mills to deal with existing debt. This is shown in Table 1, on page 11.

Burdett's infrastructure is aging. The sewage lagoon and water treatment plant have recently been upgraded. Village taxpayers are still paying for these projects. Future upgrades will be required to the sewage lift station. Underground water and sewer lines are about 20-45 years old and will eventually need replacement. Without sufficient money in reserves to pay the full cost of these types of projects, additional borrowing may have to be considered, whether or not dissolution takes place.

What effect would the dissolution of Burdett have on municipal taxes?

A comparison of property taxes between the village and the county was made using a sample of three residential properties. This comparison is shown in Table 1, on page 11.

To pay the costs associated with debentures (loans) that Burdett residents now pay for through general taxation, the county would add a special tax levy of up to 2 mills to the municipal property tax rate for the area of Burdett. This special levy could be used only to finance Burdett's existing debt. Existing debentures were taken by the village to finance improvements to the utility systems. The addition of this special levy to the municipal tax rate would mean that if the village dissolves, Burdett residents could expect a municipal tax rate of about 11 mills (not including school taxes) in the county. This would be about 53 percent lower than the 2002 municipal tax rate in Burdett. When considering the total tax rate, which includes school taxes, the seniors' foundation requisition and the special levy for existing debt, Burdett residents would pay about 42 percent less if they became part of the county.

The loss of the Cargill elevator in 2001 resulted in an increase in Burdett's tax rate. The county has a larger assessment base, which includes a larger non-residential component (industrial, commercial, and power and pipeline). The county's larger scale of operations results in economies of scale, meaning some services can be delivered more cost effectively.

What effect would the dissolution of Burdett have on school taxes?

Whether or not the village dissolves, the amount of school taxes levied on Burdett's taxpayers would not change substantially. School property taxes are collected by the municipality on behalf of the province and are based on a uniform education tax rate across Alberta.

Would services be affected by dissolution?

The county would provide the same base level of services to Burdett residents that are provided to other county residents. This means that any services that the village now provides to its residents that are not generally available to county residents would require a monthly user charge. This report projects tax savings of about 42 percent for Burdett residents if the village dissolves into the county. However, this rate will only be realized if the county's current service levels are applied in Burdett. As an example, keeping up the current level of park maintenance in Burdett (which is a higher level of service than now provided in the county) might require volunteer commitments from residents of Burdett or additional charges if the service is contracted.

A comparison of the anticipated results of dissolution on various services and how the county would provide these services is shown in Schedule 1, starting on page 5.

Services that would not change significantly in delivery or cost include:

- Road maintenance
- Snow removal
- Fire department
- Cemetery
- Regional landfill
- Water and sewer services

The Agricultural Society operates the arena and the Centennial Hall with financial support from the county. The county would be willing to continue providing that funding to the Ag Society.

Some services that would or likely would change include:

- Location of administration office and council meetings
- Bylaws
- Garbage collection
- Grass cutting
- Post office

Would utility charges be affected by dissolution?

The current utility rates charged by the village are sufficient to cover the overall operating costs for water, sewer and garbage collection, including providing some funds that are applied towards the utility-related debentures. In 2001, the water and sewer utilities were operated efficiently enough to generate a small surplus.

However, the garbage collection rate of $5 per month wasn't sufficient to cover the increasing costs of that utility. If Burdett dissolves, the county would try to keep the existing water and sewer utility rates in place, but would increase them as required to keep the utility self-sufficient. An increase of up to $2 per month for garbage collection might be required, depending on the method that the county uses to provide this service.

What would happen if the village dissolves?

- Burdett would become a hamlet in the County of Forty Mile.
- Burdett would be governed by the county council.
- Burdett would become part of Division Seven. The current division boundaries would need to be reviewed by the county before the next general municipal election, to ensure an equitable balance of populations of all divisions.
- The County of Forty Mile would provide municipal services in Burdett as well as all other areas of the county.
- All village bylaws would remain in force until repealed or amended by the county council.
- Property taxes would be paid to the County of Forty Mile.
- Recreational and cultural facilities such as the Centennial Hall and the arena would continue to operate as per existing agreements with the local Ag Society.
- The county would levy a special tax to pay the village's current debt.
- Any village funds remaining at the time of dissolution would have to be kept in a separate reserve account by the county. This reserve would also receive any money acquired through the sale of any of Burdett's assests. Money in this reserve could only be spent for the benefit of Burdett residents. The county's immediate plans for these funds involve using some to pay two of Burdett's existing debentures.

What would happen if the village <u>does not</u> dissolve?

There would be little noticeable effect in the short term. However, in the long term, council would have to find ways to deal with issues of governance, maintenance of services, and with any future revenue losses and increased costs.

If revenues decline, either tax rates would have to be raised, or services would have to be reduced (or a combination of higher taxes and reduced services could be implemented). However, the option of reducing services may be very difficult to achieve, as Burdett provides very few discretionary services at this time.

In the future, as new investment into Burdett's utilities and other infrastructure is required, council and administration will be faced with challenges in finding ways to finance those needs. Burdett has very little capacity to obtain new financing for such projects because of the high level of debt already carried by the village. Furthermore, Burdett may not have sufficient money saved in reserves for projects of this nature.

What happens now?

- **An open house to discuss dissolution is scheduled for:**

  September 5, 2002
  Burdett Centennial Hall
  7 p.m.

- The village's electors are encouraged to attend the open house. Officials from the village, the county, and Alberta Municipal Affairs will attend to discuss the contents of the study and to answer your questions.

- A vote of the electors will be conducted to determine residents' opinion regarding dissolution. The vote will be conducted under the Local Authorities Election Act.
  The vote will be held on:

  September 12, 2002
  Burdett Centennial Hall
  10 a.m. to 8 p.m.

- The results of the vote will aid in determining whether or not to dissolve the village and have it become part of the county.
- The question on the ballot will be:
  "Do you wish the Village of Burdett to dissolve and become part of the County of Forty Mile No. 8?"
- If residents vote to dissolve the Village of Burdett, the Minister of Municipal Affairs would make a recommendation to Cabinet regarding dissolution.
- If Cabinet were to approve dissolution, the village council and administration would work with the county to wind up its affairs by January 1, 2003.

For further information, contact:

Mr. Chris Belke
Alberta Municipal Affairs,
by calling 310-0000 (toll free)
and entering (780) 427-2225

or
Mayor Paul Van Tryp, or Administrator Roselyn Pahl
in the Village of Burdett
municipal office at
833-3794.

SCHEDULE ONE

Municipal Issues

This section outlines what would happen if Burdett were to dissolve. These topics are divided into two groups - issues and services. Administration issues and financial issues are followed by service concerns in the community, which are also divided into two groups – soft services and hard services.

Administration Issues

If Burdett remains a village	If Burdett dissolves into the County of Forty Mile
Economic and Population Growth 1. The village's population is 264, down from 286 in 1996. The population is not expected to change significantly. 2. Burdett had a total property assessment of $5,324,880 for 2002. The 2002 assessment no longer includes the Cargill elevator.	**Economic and Population Growth** 1. The county has a population of 3,168, down from 3,230 in 1996. 2. The county 's 2002 total property assessment was $420,749,220. For rural municipalities (MDs and counties), equalized assessment (EA) per kilometre of road is considered a good basis of comparison. Comparing EA per kilometre places the County of Forty Mile in the lowest comparison group of rural municipalities. Within this group, they place just below the average.
Council 1. At present, there are three councillors representing 264 residents. This is about one councillor for every 88 people. However, with small populations, over time it may become difficult to continue to find candidates to fill vacant council positions.	**Council** 1. The county is governed by a seven-member council who represent 3,168 people. 2. If dissolved, Burdett would become part of Division Seven and would be represented at county council by Tom Thacker. Currently, Division Seven has 486 people, and the addition of Burdett's population would raise this to a population of about 750. Following the addition of Burdett, the county would review the existing division boundaries and make necessary changes to ensure that representation amongst divisions is balanced, prior to the next general municipal election in 2004. 3. Although the county has a population of 3,168, it had some difficulty finding a candidate to fill one vacancy in the 2001 municipal election.

If Burdett remains a village	If Burdett dissolves into the County of Forty Mile
Administration 1. The village administration has two full-time staff, one in administration and one in public works. Seasonal summer staff is regularly hired through the STEP program. Administrative functions would continue to be carried out at the village office in Burdett.	**Administration** 1. The Burdett village office would be closed. Administrative functions would be provided from the county office in Foremost with existing county personnel. 2. The county has about 30 full-time employees as well as seasonal employees. 3. Any village employees whose positions would be lost as a result of dissolution would be offered a severance package.
Municipal Portion of Property Taxes * 1. The 2002 municipal tax rate in Burdett is 23.4954 mills. 2. Including the school and seniors foundation requisitions, the total 2002 property tax rate in Burdett is 28.7570.	**Municipal Portion of Property Taxes*** 1. The municipal tax rate for the county in 2002 is 9.0469 mills. However, Burdett residents would also pay a special levy of approximately 2 mills for repayment of the existing debt, for a total of approximately 11.0469 mills. 2. Including the school and seniors foundation requisitions, and including a 2 mill special levy, the total 2002 property tax rate in the county would be 16.6573. This is 42% lower than the village's 2002 tax rate.

***The province determines the rate for the school portion of the property tax.**

Financial Issues	
If Burdett remains a village	**If Burdett dissolves into the County of Forty Mile**
Accumulated Surplus and Reserve Fund 1. At the end of 2001, the village's financial statement showed an accumulated surplus and reserves totaling $125,514. Of this amount, council has established operating and capital reserves totaling $94,701. The operating surplus was $30,813. This surplus is needed by the village to fund operations from the beginning of the budget year in January, until property taxes are paid in August.	**Accumulated Surplus and Reserve Fund** 1. In 2001, the county's financial statement showed an accumulated surplus and reserves totaling $8,746,200. Of this amount, council has established operating and capital reserves totaling $7,697,470. The surplus was $1,048,730. 2. The Order in Council dissolving the village would contain a provision that any cash and investments owned by Burdett at its dissolution would be set aside in a special reserve fund that could only be used to benefit residents of Burdett.

Utility Rates **(includes water, sewer and garbage collection)** 1. The village bills monthly for water, sewer and garbage collection services. The monthly utility charges for most residents are based on a flat rate of $56 a month. This includes $40 for water, $11 for sewer, and $5 for garbage collection services. At the end of 2001, the utility systems had a debt of $248,378. 2. Burdett residents also have an early-pay option for utilities. Under this option, when a resident pays a full year's utility costs at the start of the year, they receive a discount of the value of one month's payment. 3. The village collects garbage once a week, year round and hauls it to the local landfill site. The North Forty Mile Regional Waste Management Services Commission operates the landfill. The commission provides this service for Burdett, the Town of Bow Island, and the north half of the County of Forty Mile.	**Utility Rates** **(includes water, sewer and garbage collection)** 1. The county would set utility rates at a level that is sufficient to cover all costs of operating the utility systems. The actual increase to utility rates to achieve this cannot be determined until some time after dissolution. Early estimates show that rates might increase by as much as $2 per month to pay for the operating deficit in garbage collection. This would mean that Burdett's $56 per month utility rate might increase to as much as $58 per month. 2. The county would not continue the early-pay discount program. 3. The county would continue a garbage collection system for Burdett's residents, as long as this service can be efficiently provided with its existing staff. If the county cannot do this, it would consider other methods for providing this service, including contracting, or establishing a transfer station in Burdett.
Debt 1. At the end of 2001, the principal on the eight remaining village debentures totaled $292,216. The current annual payments on the debt are $44,887, or about 23 percent of all expenditures made by the village. 2. Three debentures will be retired by the end of 2004. This will reduce the village's annual debt payments by $15,549. The last of the existing debentures will be retired in December of 2024. 3. As upgrades or repairs are required for the utility systems or other infrastructure, it's possible that more debt would have to be incurred, as there may not be sufficient money in reserves to pay for major upgrades.	**Debt** 1. There would be village debt at the time of dissolution. Some of the village's current debentures are local improvements, which are paid for by benefiting property owners based on the frontage of their properties. Those debentures would continue to be dealt with in the same way following dissolution. Of the remaining five debentures, two would be financed using monies held in the reserve fund. Burdett residents would pay for the remaining debentures after dissolution, through a special tax levy of about 2 mills. 2. As individual debentures are retired, the amount of the special tax levy would be reduced. 3. If new debentures are used to finance upgrades or repairs to systems, Burdett residents could likely expect to make the debenture payments, much as they would if Burdett remains a village.

Assets	Assets
1. Burdett has capital assets, such as machinery and equipment, the municipal office, and village-owned residential and commercial lots.	1. The Order in Council dissolving Burdett would require that until December 31, 2007, the proceeds from the sale of any assets that were owned by the village before dissolution would have to be held in a special reserve fund. Any money in that reserve fund could only ever be spent for the benefit of residents of Burdett.

Services

Soft Services	
If Burdett remains a village	**If Burdett dissolves into the County of Forty Mile**
Fire Protection 1. The village operates the Burdett Volunteer Fire Department, which provides fire protection to Burdett and the surrounding rural area.	**Fire Protection** 1. The county would continue to support the Burdett Volunteer Fire Department and would ensure that fire protection services continue for Burdett and the surrounding rural area.
Ambulance Service 1. Ambulance service in Burdett is provided by the Town of Bow Island. The village spent $2,288 for this service in 2001.	**Ambulance Service** 1. The county would provide this service at the best price available, provided that there would be no significant decrease in the level of emergency medical service.
Bylaw Enforcement 1. The village provides bylaw enforcement and administers the land use bylaw through the development officer duties performed by the municipal administrator.	**Bylaw Enforcement** 1. The county employs a special constable, as well as a development officer and an agricultural fieldman who are responsible for enforcing municipal bylaws. 2. Any bylaws in place at the time of dissolution would remain in force until the county council changed or repealed them.
Grass Cutting and Park Maintenance 1. The village's public works department cuts the grass in public areas and village properties. The village also cuts grass on some privately owned properties. The cost for this service is charged back to the property owners.	**Grass Cutting and Park Maintenance** 1. The county would provide grass cutting for municipally owned properties on an as-needed basis, similar to the service provided in other areas of the county. 2. If residents of Burdett desire a standard of service beyond the basic service that the county provides, then the county would either levy a special mill rate to recover the costs incurred, or else make arrangements with a local group to provide the service.

Planning and Land Development 1. Development control, issuing development and building permits, and planning services are the responsibility of the village. The village expenditures for planning and development in 2001 were $1,085. 2. Planning services are provided through a contract with Cypress County.	**Planning and Land Development** 1. The county has a development officer who would be responsible for development control, issuing development permits, preparing plans and related bylaws, and processing subdivision applications for Burdett as well as the rest of the county. These services would be available through the county office in Foremost. 2. The county also contracts planning services from Cypress County.
Recreation and Culture 1. The Ag Society operates Burdett's recreational facilities. In 2001 the village contributed $6,142 to these facilities, of which $6,120 came from a grant from the county. 2. The village also spent $1,344 for utilities for these facilities.	**Recreation and Culture** 1. The county would continue to provide recreational services through the existing agreements with the Ag Society. In the future, the county could transfer ownership and operation of the arena, community hall, and campground to the Ag Society. 2. The county has not committed to contributing the necessary funds for the utility costs for these facilities.
Post Office 1. The Burdett Post Office is located in the same building as the village office, in space leased from the village. Postal services are provided by a local operator through a contractual agreement with Canada Post.	**Post Office** 1. If Burdett dissolves, the county would provide municipal services from its existing office in Foremost and would not keep the village office open. The county would continue to lease space to the post office if the rent payments are sufficient to pay all of the costs to operate the building. This change in costs to the operator might necessitate a re-negotiation of her contract with Canada Post. If a new contract could not be settled, the post office would be unable to continue operating in Burdett. Canada Post would install community mailboxes, where residents could receive and mail letters and receive small packages. To receive larger packages, buy stamps or to mail packages, residents would have to visit a postal outlet located in another community such as Bow Island.

Hard Services	
If Burdett remains a village	**If Burdett dissolves into the County of Forty Mile**
Roads and Streets 1. The village provides maintenance, snow clearing, street lighting and street grading. A number of streets and lanes will require upgrading over the next few years. Expenditures in 2001 were $17,279.	**Roads and Streets** 1. Streets within Burdett would be maintained in a manner consistent with that of other parts of the county. Roads are plowed on a priority basis starting with main roads and school bus routes. Snow plowing in Burdett would be a high priority to ensure access to the school.
Street Lighting 1. Utilicorp owns and maintains the street lights. The cost for the power is paid by the village through taxes.	**Street Lighting** 1. No change.
Natural Gas 1. Village residents receive natural gas services from ATCO Gas.	**Natural Gas** 1. No change.
Water Supply, Water Distribution, and Sewage Collection System 1. The village operates a water treatment plant and distribution system. The village water mains are assumed to be in good shape, as the village reports that there have been very few line breakages or evidence of leakage. 2. Funding for future maintenance will be required.	**Water Supply, Water Distribution, and Sewage Collection System** 1. The water and sewer systems would be operated and maintained by the county. 2. The county would set utility rates at a level sufficient to make the system self–supporting.
Sewage Treatment 1. The sewage system has been recently upgraded. The village is aware that the sewage lift station will need to be either upgraded or replaced in the future. This project is expected to cost the village up to $10,000. 2. Sewer rates depend on the cost of operating the system. Increases due to upgrading the lift station can be expected.	**Sewage Treatment** 1. The county would operate the sewage system in much the same manner that the village now does. 2. The county would set utility rates at a level sufficient to make the system self–supporting.

TABLE 1: MUNICIPAL AND SCHOOL TAX COMPARISONS

RESIDENTIAL TAX RATES

	2002 Residential Tax Rate Village of Burdett	2002 Residential Tax Rate County of Forty Mile No. 8
Municipal Tax Rate	23.4954	9.0469
School Tax Rate	4.9648	5.3889
Seniors Foundation	0.2968	0.2215
TOTAL	28.7570 mills	14.6573 mills

SAMPLE 2002 TAX LEVIES

	Residence 1	Residence 2	Residence 3
Assessment	$31,250	$74,770	$90,020
Village of Burdett			
Municipal Tax	$734	$1,757	$2,115
School Tax	155	371	447
Seniors Foundation	9	22	27
Total Taxes	**$898**	**$2,150**	**$2,589**
	Residence 1	**Residence 2**	**Residence 3**
County of Forty Mile			
Municipal Tax	$283	$676	$814
School Tax	168	403	485
Seniors Foundation	7	17	20
Total 2002 Taxes	**$458**	**$1,096**	**$1,319**
+ special levy (2 mills)	+ 63	+ 150	+ 180
Adjusted Total Taxes	**$521**	**$1,246**	**$1,499**
Difference between village and county taxes	**$377**	**$904**	**$1090**
Percent Tax Savings	**42%**	**42%**	**42%**

UTILITY RATE ADJUSTMENT

The county might increase utility rates by as much as $2 per month ($24 per year) following dissolution. Therefore, this would reduce the overall annual financial benefit of dissolution by as much as $24. This increase may be needed to pay for the garbage collection if the county makes different arrangements for this service.

Adjusted Total Taxes	**$521**	**$1,246**	**$1,499**
Add utility rate increase	+ 24	+ 24	+ 24
Overall financial benefit	$545	$1,270	$1,523
Percent savings	**39.3%**	**40.9%**	**41.2%**